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FM AMEMBASSY QUITO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5074
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 0172
RUEHBO/AMEMBASSY BOGOTA PRIORITY 5887
RUEHBR/AMEMBASSY BRASILIA PRIORITY 3635
RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 0678
RUEHCV/AMEMBASSY CARACAS PRIORITY 1945
RUEHJA/AMEMBASSY JAKARTA PRIORITY 0010
RUEHLP/AMEMBASSY LA PAZ AUG 0021
RUEHPE/AMEMBASSY LIMA PRIORITY 0870
RUEHME/AMEMBASSY MEXICO PRIORITY 1502
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 0040
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 2998
RUEHGL/AMCONSUL GUAYAQUIL PRIORITY 0995
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS QUITO 002087

SIPDIS

SENSITIVE
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TREASURY FOR SGOOCH

E.O. 12958: N/A

TAGS: ECON EINV ENRG

SUBJECT: SUBJECT: DEMARCHE REQUEST RE POTENTIAL INDONESIAN
INTEREST IN OCCIDENTAL PETROLEUM'S FORMER BLOCK 15 IN
ECUADOR

REF: STATE 81527

¶1. (U) This is an action request; see para 7.

¶2. (SBU) Summary: Press reports indicate Indonesia's state-run oil company Pertamina is interested in running Occidental Petroleum's (Oxy) former Block 15 in Ecuador under an Energy Cooperation MOU signed between the two countries in July. French, Indonesian, and Ecuadorian papers ran the story. An Ecuadorian industry contact believes the story was promoted by the GOE to soothe Indonesian feelings after state-run companies were shut out of a recent sale of Petroecuador's crude, and that Pertamina does not have the funds for such a large investment. Nevertheless, Embassy Quito recommends that Washington transmit reftel to Embassy Jakarta in order to advise the Government of Indonesia of the risks of becoming involved in Block 15. End Summary.

¶3. (U) Background: In May, the Government of Ecuador declared Oxy's operations contract null, and state oil company Petroecuador took over Oxy's assets, operations, and revenue. Oxy believes this action violated the U.S.-Ecuador Bilateral Investment Treaty (BIT). The case is currently pending international arbitration.

¶4. (SBU) Reftel noted that Petroecuador does not have the level of expertise to operate the sophisticated technology that Oxy installed to run Block 15, and may seek assistance from third-party state oil companies. It instructed a number of embassies (although not Jakarta) to demarche host governments on the issue and warned of the pitfalls of foreign parastatal involvement in Block 15. To date, no foreign parastatal has agreed to help operate Block 15.

¶5. (U) Foreign Minister of Ecuador Carrion visited Indonesia in July and signed an energy cooperation MOU. He is quoted in the press as saying that "Pertamina has reaffirmed its interest in developing Oxy's Block 15 together with Petroecuador." The MOU reportedly calls for cooperation on the drilling, production, and refinement of crude oil, but we understand that it does not specifically address Block 15.

¶6. (SBU) Comment: Indications from the head of the hydrocarbons association in Ecuador (and our own perceptions) are that Pertamina is unlikely to become involved in Block 115. Per the hydrocarbons expert, Pertamina does not have the resources for such a large investment, particularly for one so far from Indonesia. He believes the GOE statement was made to soothe Indonesian feelings after Petroecuador's recent sale of crude oil went to private rather than state-run firms (Ecuador claims to favor state-run oil companies and has signed cooperation agreements with several). Although Embassy Quito believes Indonesian development of Block 15 is unlikely, given the GOE statement, we recommend that Embassy Jakarta pass the reftel message to the Indonesian government .

¶7. (SBU) Action Request: We request that Washington instruct Embassy Jakarta to demarche the Indonesian government using the talking points from Reftel para 6. End Action Request.

JEWELL